GENERAL

1. French insist on Italian inclusion in Atlantic Pact--French Foreign Minister Schuman has informed US Ambassador Caffery that although the French Government does not insist upon Italian participation in the Atlantic Pact negotiations, it does insist that Italy be permitted to sign the Pact at the conclusion of negotiations if Norway signs at that time. Schuman explained that Italy's inclusion in the Pact is a matter of major psychological importance to the French, because without Italy the French people would say they had been placed "on one of the wings" of a defense system.

US Ambassador Kirk in Brussels reports that a high official of the Belgian Foreign Ministry has expressed a strong feeling that both Italy and Norway should be included as initial signatories of the Pact. The Belgian official believes that if Italy is not thus included, the De Gasperi Government may be placed in a serious position between the initial signing of the Pact and a subsequent Italian adherence.

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UROPE

Baruch has been told privately by a high official of the Netherlands Foreign Office that a "bare possibility" exists that the Netherlands Government will agree to restore the Indonesian Republic at Jogjakarta if the Dutch can be assured that the Republican delegation would leave Batavia for a mid-March conference at The Hague. Baruch is convinced that a successful compromise could be worked out along these lines. He also notes signs that international considerations are slowly making headway over the largely national approach hitherto prevailing in the Netherlands concerning Indonesia.

(CIA Comment: CIA believes that the possibility suggested by the Dutch official is one of several recent indications that the Netherlands Government may soon be forced to retreat from its previous position and allow the Republican leaders to return to Jogjakarta.)